

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-14 EA-12 EUR-12 NEA-10 ISO-00  
STR-07 COME-00 IO-14 AGRE-00 L-03 TRSY-06 AID-05  
CIAE-00 INR-10 NSAE-00 ITC-01 OMB-01 H-02 SSO-00  
INRE-00 /116 W

-----080204 280425Z /13

O 280104Z APR 78  
FM AMEMBASSY SANTO DOMINGO  
TO SECSTATE WASHDC NIACT IMMEDIATE 4334

UNCLAS SECTION 1 OF 2 SANTO DOMINGO 2216

DEPT PLEASE PASS STR

E.O. 11652: N/A

TAGS: OAS, ETRD, EGEN, XM, DR

SUBJECT: OAS/CECON - SUGAR

1. THE FOLLOWING IS A DRAFT OAS/CECON RESOLUTION ON SUGAR PUT FORTH BY LATIN AMERICAN AND CARIBBEAN COORDINATION GROUP:  
BEGIN TEXT: TITLE - WORKING DOCUMENT ON TOPIC 3 OF THE AGENDA "THE STATE OF THE WORLD SUGAR MARKET."  
THE MEASURES BEING ADOPTED BY THE GOVERNMENT OF THE UNITED STATES, WHICH ARE SHOWING A MARKED PROTECTIONIST TENDENCY IN FAVOR OF ITS DOMESTIC SUGAR INTERESTS, ARE CAUSING SERIOUS AND INCREASING INJURY TO THE SUGAR EXPORTING COUNTRIES OF THE REGION, AT A TIME WHEN THE INTERNATIONAL SUGAR TRADE IS UNDERGOING A MAJOR CRISIS. THESE FACTS WERE RECOGNIZED BY THE PERMANENT COUNCIL OF THE OAS IN ITS UNANIMOUS DECLARATION OF DECEMBER 2, 1977, WHICH EXPRESSLY STATED THAT IN ORDER TO AVOID DIFFICULTIES FOR LATIN AMERICAN AND CARIBBEAN EXPORTS STEMMING FROM THE RESTRICTIVE MEASURES RECENTLY IMPOSED ON SUGAR BY THE UNITED STATES GOVERNMENT, IT IS ADVISABLE THAT THESE TEMPORARY AND EMERGENCY MEASURES BE REMOVED AS SOON AS POSSIBLE.

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WHEN THE INTERNATIONAL SUGAR AGREEMENT WAS APPROVED IN OCTOBER 1977 AND ENTERED INTO QTRCE ON JANUARY 1 OF THIS YEAR, MARKET PRICES FOR SUGAR EXPERIENCED SLOW RECOVERY. IT WAS, THEREFORE, CONTRARY TO THE PURPOSE STATED IN THE AFOREMENTIONED OAS DECLARATION, WHICH WAS SIGNED BY THE UNITED STATES, CONTRARY TO ITS OWN AFFIRMATION OF THE TEMPORARY AND EMERGENCY NATURE OF

THE MEASURE, AND CONTRARY TO THE DECLARED GOALS OF THE INTERNATIONAL SUGAR AGREEMENT, OF WHICH THE UNITED STATES IS A MEMBER WHEN ON JANUARY 20, THE U.S. GOVERNMENT, INSTEAD OF REDUCING OR REMOVING THE DUTIES, SET THE IMPORT FEE AT A FIXED LEVEL OF 2.7 CENTS PER POUND. IF WE ADD TO THIS THE 50 PERCENT INCREASE IN THE CUSTOMS DUTY ORDERED ON NOVEMBER 11, 1977, IT IN FACT MEANS THAT THE DUTIES IMPOSED ON SUGAR EXPORTS FROM THE COUNTRIES OF THE REGION TO THE UNITED STATES HAVE RISEN ALMOST THREE-FOLD OVER THEIR LEVEL PRIOR TO THAT DATE. THIS MEASURE PUT AN END TO THE INCIPIENT RECOVERY OF THE FREE MARKET PRICE AND CONTRIBUTED IN A MAJOR WAY TO THE FALL IN PRICES EXPERIENCED EVER SINCE. IT IS A REASON FOR FURTHER CONCERN THAT THE UNITED STATES IS PRESENTLY CONTEMPLATING ADOPTION OF NEW INCREASES IN THE DUTIES, AND OF OTHER MEASURES (#)

AND EXTE  
KHITS PROTECTIONIST POLICY.

THIS POLICY, BY THE DOMESTIC SUGAR SUPPLY FROM MARKET FORCES, LIMITS THE COMPETITIVE CONDITIONS UNDER WHICH INTERNATIONAL TRADE IS CONDUCTED AND THEREFORE EXERTS A DOWNWARD PRESSURE ON PRICES. IT ALSO SERVES TO STIMULATE INCREASED DOMESTIC PRODUCTION AND PERMITS HEAVIER COMPETITION WITHIN THE UNITED STATES FROM OTHER SWEETENERS, REDUCING THE DEMAND FOR SUGARS COMING FROM THE FREE MARKET. THIS POLICY IS THUS UNDERMINING THE EFFECTIVENESS OF THE MEASURES UNDERTAKEN BY THE EXPORTING COUNTRIES PARTIES TO THE SUGAR INTERNATIONAL AGREEMENT TO STABILIZE THE MARKET.  
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THE PRESENT U.S. POLICY OF PROTECTIVE DUTIES PLACES THE SUGAR PRODUCTION OF THE LATIN AMERICAN AND CARIBBEAN COUNTRIES IN A HIGHLY UNFAVORABLE COMPETITIVE POSITION VIS-A-VIS U.S. DOMESTIC PRODUCTION, AND THUS TENDS TO REDUCE THEIR EXPORTS TO THE UNITED STATE MARKET, OF WHICH THEY HAVE BEEN TRADITIONAL SUPPLIERS. AND, WORSE STILL, IT PLACES THESE EXPORTS IN AN EXTREMELY DISADVANTAGEOUS POSITION AS FAR AS COMPETING WITH SURPLUS PRODUCTION IN THE DEVELOPED COUNTRIES, THAT ARE NOT SIGNATORY TO THE AGREEMENT IS CONCERNED, SINCE THEIR EXPORTS BENEFIT FROM EITHER DIRECT OR INDIRECT SUBSIDIES.

FOR THESE REASONS, IT IS CLEAR THAT THE EXPORTING COUNTRIES OF THE REGION PAY THE PRICE OF THE IMPORT DUTIES IMPOSED BY THE UNITED STATES IN THE AMOUNT THEIR RESPECTIVE GLOBAL REVENUES FROM THEIR SUGAR EXPORTS DECREASE AS A RESULT OF THIS PROTECTIONIST POLICY'S EFFECT OF DEPRESSING FREE MARKET PRICES, COMPARED TO THE PRICES THEY COULD OBTAIN IN THE ABSENCE OF SAID POLICY.

(FOR THESE REASONS, IT IS CLEAR THAT IN PRACTICE, THE FEES AND DUTIES IMPOSED BY THE UNITED STATES ARE NOT BEING PASSED ON TO THE SUGAR CONSUMER -- WHO CONTINUES TO PAY THE SAME PRICES --

BUT RATHER ARE BEING BORNE BY THE EXPORTER WHO IS FINDING HIS REVENUES DOWN AS A RESULT OF THE DOWNWARD PRESSURES EXERTED BY A POLICY OF PROTECTIONISM).

IF U.S. POLICY IS TO BE RESPONSIVE BOTH TO ITS OWN ECONOMIC INTERESTS AND IS TO TAKE ACCOUNT OF THE INTERESTS OF THE OTHER MEMBERS OF THE OAS, IT MUST CONTRIBUTE TO MAKING THE INTERNATIONAL SUGAR AGREEMENT FULLY EFFECTIVE, AND HELP ACHIEVE ITS OBJECTIVES OF CHECKING VIOLENT PRICE MOVEMENTS BY STABILIZING THE MARKET. THROUGH CLOSE CONSULTATION, IT WOULD ALSO SEEK GREATER HARMONY, BETTER COLLECTIVE JUDGEMENTS AND AVOIDANCE OF UNEXPECTED INJURY, TO ALL THE DEVELOPING EXPORTING COUNTRIES AND PARTICULARLY TO THE MOST VULNERABLE.

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ONE EXAMPLE OF THESE DOWNWARD PRESSURES OCCURRED WHEN, ON JANUARY 20, 1978, THE GOVERNMENT OF THE UNITED STATES IMPOSED A FIXED FEE OF 2.7 CENTS PER POUND, WHICH APPROACHES THE CEILING OF THE VARIABLE FEE SET BY PRESIDENTIAL DECISION ON NOVEMBER 11, 1977. THESE HIGH, EXCESSIVE DUTIES AND FEES, ESTABLISHED AFTER THE UNANIMOUS DECLARATION OF THE PERMANENT COUNCIL OF THE OAS ON DECEMBER 2, 1977 -- WHICH, IN THE LIGHT OF THE THEN PREVAILING PRICES IN THE FREE SUGAR MARKET, HAVE BEEN SHOWN TO BE PROTECTIONIST, SLOWED THE INCIPIENT RECOVERY UNDER WAY IN THAT MARKET, AND HAVE AFFECTED THE SPECIFIC OBJECTIVE OF THE AGREEMENT WHICH IS "TO PROVIDE FOR AN ADEQUATE PARTICIPATION IN, AND GROWING ACCESS TO, THE MARKETS OF THE DEVELOPED COUNTRIES FOR SUGAR FROM THE DEVELOPING COUNTRIES."

HAVING SEEN THE FOREGOING,  
REAFFIRMS THAT THE INTERNATIONAL SUGAR AGREEMENT IS THE BASIC INSTRUMENT FOR ACHIEVING STABILIZATION OF THE INTERNATIONAL MARKET AT PRICE LEVELS THAT ARE REMUNERATIVE AND FAIR FOR THE EXPORTERS AND EQUITABLE FOR THE CONSUMERS.  
RECOMMENDS TO THE COUNTRIES SIGNATORY TO THE AGREEMENT THAT THEY RATIFY IT, IF THEY HAVE NOT DONE SO, AS SOON AS POSSIBLE.  
DECLARES THAT THE IMPORT DUTIES AND FEES IMPOSED BY THE UNITED STATES GOVERNMENT ARE DETRIMENTAL TO THE FULL ACHIEVEMENT OF THE GOALS OF THE AGREEMENT DUE TO THEIR EFFECT OF DEPRESSING FREE MARKET PRICES.  
EXPRESSES DEEP CONCERN THAT THE UNITED STATES GOVERNMENT HAS NOT TAKEN STEPS TO IMPLEMENT THE AFORESAID DECLARATION ADOPTED BY UNANIMOUS VOTE OF THE PERMANENT COUNCIL ON DECEMBER 2, 1977.  
EXPRESSES ITS DEEP CONCERN OVER THE FURTHER PROTECTIONIST MEASURES, SUCH AS THE RECENT RECOMMENDATIONS OF THE UNITED STATES INTERNATIONAL TRADE COMMISSION (PUBLICATION 881 OF THE USITC) AND BILL SPONSORED BY SENATOR CHURCH.  
DECLARES THAT UNTIL SUCH TIME AS THE TEMPORARY MEASURES ADOPTED  
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UNILATERALLY BY THE GOVERNMENT OF THE UNITED STATES ARE RE-  
SCINDED, THAT GOVERNMENT SHOULD URGENTLY ADOPT APPROPRIATE  
MEASURES IN THE AREA OF ITS SUGAR POLICY TO PROVIDE RELIEF FOR  
THE POSITION OF THE DEVELOPING EXPORTING COUNTRIES, GIVING  
SPECIAL CONSIDERATION TO THOSE SUFFERING THE GREATEST INJURY.  
SUCH MEASURES SHOULD NOT INFRINGE UPON THE LETTER OR THE SPIRIT  
OF THE INTERNATIONAL SUGAR AGREEMENT.

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ACTION EB-08

INFO OCT-01 ARA-14 ISO-00 STR-07 AF-10 EA-12 EUR-12  
NEA-10 AGRE-00 COME-00 IO-14 L-03 TRSY-06 AID-05  
CIAE-00 INR-10 NSAE-00 ITC-01 OMB-01 H-02 SSO-00  
INRE-00 /116 W

-----081595 280425Z /13

O 280104Z APR 78

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FURTHER DECLARES THAT THE LONG-TERM STABILIZATION OF SUGAR PRICES  
AND THE RESTRUCTURING OF THE TRADING IN THIS PRODUCT BETWEEN THE  
UNITED STATES AND THE DEVELOPING COUNTRIES OF LATIN AMERICA AND  
THE CARIBBEAN, BASED ON A SYSTEM THAT WOULD BE FAIR AND EQUITABLE,  
CONSTITUTES A VITAL STEP IN THE SEARCH FOR THE NEW INTERNATIONAL  
ECONOMIC ORDER, WHICH IS CHARACTERIEZED BY FAIRNESS IN ECONOMIC  
AND COMMERCIAL RELATIONS BETWEEN THE DEVELOPING NATIONS AND THOSE  
THAT ENJOY ECONOMIC WELL BEING AND INDUSTRIAL PROGRESS.  
END TEXT.

2. COMMENT: ABOVE TEXT IS HASTY OAS RPT OAS TRANSLATION OF  
SPANISH LANGUAGE ORIGINAL AND IS BEING TRANSMITTED TO WASHINGTON  
EXACTLY AS GIVEN TO US DEL DURING MEETING.  
AXELROD

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## Message Attributes

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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014